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Random Thoughts

By SANFORD ROSE

According to reliable sources, basic examination chores at large national banks will soon become the joint responsibility of the FDIC and the Comptroller. That is, in the near future, when a monolith like Citibank is examined, an FDIC representative may accompany the usual Comptroller's office team.

The FDIC has always performed assessment audits of major institutions. After all, the corporation has to check periodically to see that it is receiving the proper premiums. But it has not hitherto participated in basic examinations. Its authority in the examinations area is allegedly confined to state nonmember institutions.

It is no secret that the corporation is unhappy with this arrangement. It wants to do less examination of state nonmembers, delegating that function to the appropriate state authority, wherever the authority is competent to perform it. At the same time, it wants to do more examining of national banks, including the largest ones.

According to many, the FDIC is entitled, under the Federal Deposit

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Citicorp Gets Preliminary Approval for Bank in Maine

By PHILIP T. SUDO

NEW YORK — Citicorp has been granted tentative approval to start a full-service, nationally chartered bank in southern Maine, according to the superintendent of the state's Bureau of Banking, H. Donald DeMatteis.

The only obstacle to the bureau's complete approval is the question of how to ensure that the out-of-state bank holding company — the largest in the nation — does not export funds from the state, which Mr. DeMatteis said "is not a serious hurdle."

Should the Bureau of Banking decide in favor of Citicorp's plans, the bank would need Federal Reserve Board approval before starting operations.

A spokeswoman for Citibank NA said the bank is awaiting preliminary approval of its charter from the Office of the Comptroller before capitalizing itself and finalizing a location and board of directors and managers. Once the bank has accomplished these measures, the comptroller provides

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Bache to Offer Pay-by-Phone Service

By JOHN MORRIS

CHICAGO — The brokerage industry's first pay-by-telephone bill payment service will be offered by Prudential-Bache Securities Inc. starting next March.

About 43,000 holders of its $20,000-minimum Command Account, a multipurpose asset management account, will pay $4 a month to use the service, now offered to customers by 80 or so banks across the country.

Prudential-Bache's plan to offer the service was announced Friday in Chicago by chairman Harry A. Jacobs. "This is a first for the industry," he told a meeting of the Executives Club.

Mr. Jacobs also announced a pilot electronic delivery system to disseminate research reports and data bases on companies whose stock is followed by Pru-Bache.

The on-line system, available only to institutional salesmen and a few clients, will feature notes of each morning's research meetings at Pru-Bache, a library of research report summaries, data bases on companies covered, and quantitative data bases. Eventually, it might include earnings models as well.

"It's so new that we have not yet decided if we will charge for this service or who will pay for the time customers are accessing information," he said.

Further details of the pay-by-phone service were given by Nancy Reed, vice president for Command Account marketing.

Customers will get two services. The first is the same pay-by-phone service

➤➤ Telephone: Page 30

Hearing Set on Central Regional Zone

11 States in Heartland Invited to Discuss Interstate Concept

Special to the American Banker

LINCOLN, Neb. — State legislators, financial regulators, and banking industry representatives from 11 North Central states are being invited to a Dec. 5-6 hearing in Omaha on a Nebraska proposal for regional interstate banking.

Invitation letters have been sent to state and industry leaders in Nebraska, Wyoming, Colorado, Kansas, Missouri, Iowa, Minnesota, Wisconsin, South Dakota, North Dakota, and Montana.

The invitations are being mailed by state Sen. John DeCamp, chairman of the banking, commerce, and insurance committee of the one-house Nebraska legislature.

"I believe that regional interstate banking is a subject which all those involved in the banking industry will eventually be compelled to address," Sen. DeCamp said in his letter. "I am further convinced that the pros and cons of such enabling legislation should be aggressively aired, so that the affected state administrations and legislatures can more adequately examine the merits of the issues involved

"Whatever action Nebraska takes in this regard," the letter continued, "will most probably affect the banking industry in your state — and vice versa. Therefore, it would be in our collective interest to look at this subject together."

The hearing has been scheduled for the afternoon of Monday, Dec. 5, and the morning of Tuesday, Dec. 6, in the Omaha City-County Building, 1819 Farnam Street, Room LC3.

Local area bankers will sponsor a banquet for state bank supervisors and state legislators on Monday night, the senator said. ■

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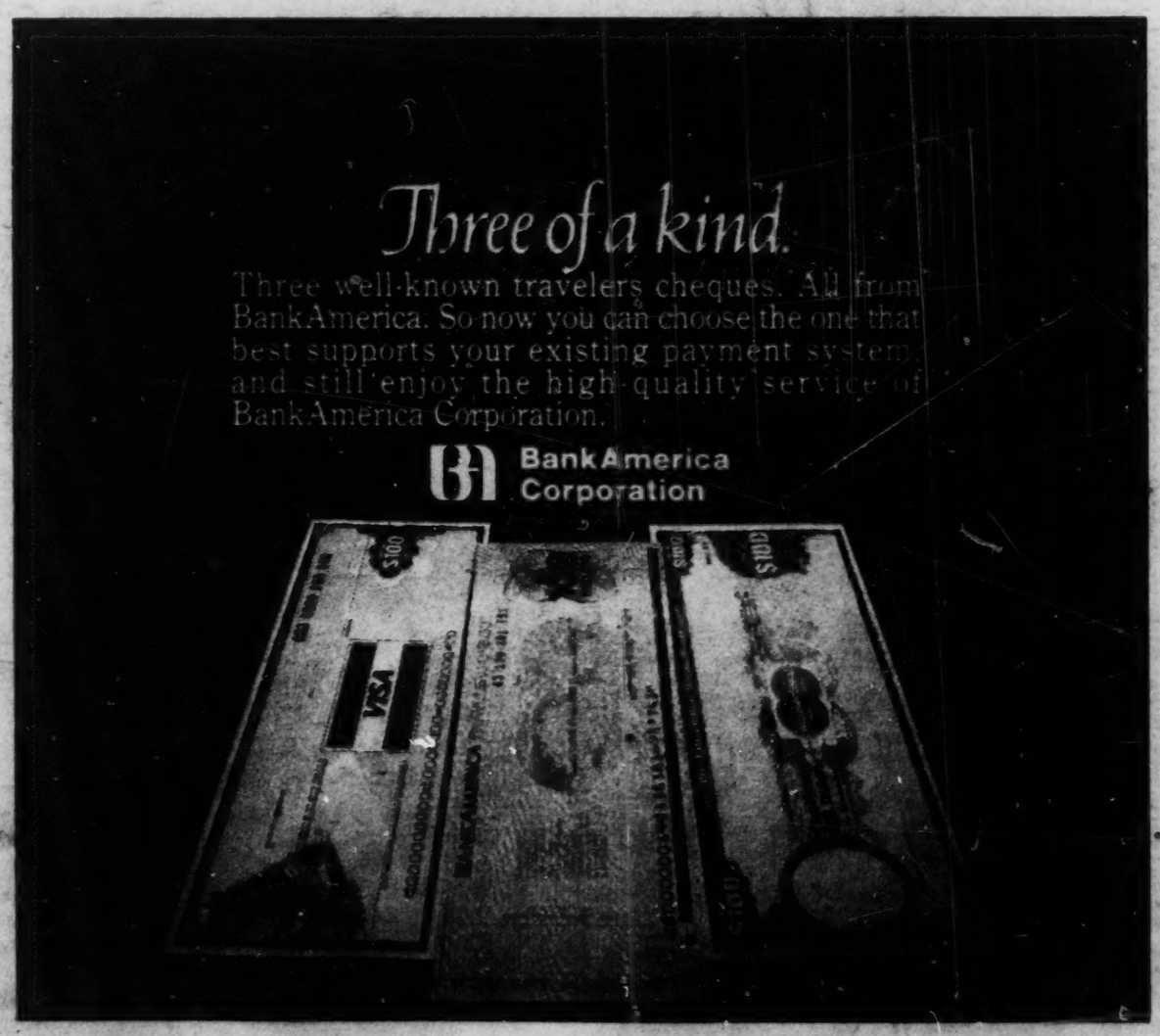

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Mergers, Acquisitions

Union of Landmark, Southwest Seen As 'Prime Target' for Acquisition

Special to the American Banker

FORT LAUDERDALE, Fla. — While the engagement of Landmark Banking Corp. and Southwest Florida Banks Inc. seems to be going smoothly, the marriage may not be the final word.

On Oct. 26, the billion-dollar banking companies announced a merger agreement that would create the fifth largest banking institution in the state, one with major shares in some of Florida's richest markets — Sarasota, Fort Myers, Naples, and Fort Lauderdale.

"The merger will result in one of the most profitable banking organizations operating in some of the most exciting market areas in the state," J. Joseph Touey, president and chief executive officer of the Fort Lauderdale-based Landmark, said in announcing the merger agreement.

The problem is that the resulting company may be a little too attractive, according to analysts.

"I see it as a prime target for acquisition," said Erwin Katz, executive vice president of the brokerage firm of Jerry Williams Inc. in Tampa. "It's the right size to be acquired, and the markets it serves are superb."

Even the merger principals concede as much.

"There will be further mergers, no doubt about it," said Richard Sherman, president of the Fort Myers-based Southwest. "The stock of the resultant company is more attractive than it was as either Southwest or Landmark."

The merged company, Mr. Sherman said, will be open to intrastate or interstate mergers at some future date. Gov. Bob Graham is eagerly pushing for the passage of some form of regional banking legislation in Florida's spring legislative session.

With the specter of regional or national banking legislation on the horizon, larger Florida banks have been aggressively swallowing smaller banks in order to shore up their defenses — and that process is far from over.

"We know we've got to round out our hand, and there are a lot of interesting possibilities," Southwest's Mr. Sherman said.

Most Mentioned Merger Candidates

Most often mentioned as merger candidates with Landmark-Southwest are Atlantic Bancorp. in Jacksonville, NCNB Corp., Florida Federal Savings & Loan Association, and City Federal Savings & Loan Association.

"There are some obvious candidates for a merger with the combined bank," said Bill Norton, a bank analyst with Blackstock & Co. Inc. in Jacksonville. "I think it is highly unlikely that Southwest shareholders would approve the merger without a further agreement to sell the combined entity."

According to the terms of the agreement, Southwest shareholders would receive 1.55 shares of Landmark common stock for each share of Southwest stock. The problem, according to Mr. Norton, is that Landmark stock has fallen almost $3 per share in value since shortly before the merger announcement, from 16½ one day prior to the announcement to 13 last Friday afternoon.

"Southwest shareholders are getting a worse and worse deal by the day," Mr. Norton said. "They [Southwest management] should have had an exit price in the agreement. No shareholder in his right mind is going to approve that agreement without an exit price."

An exit price would have established a minimum price that Landmark stock could not fall below in order for the merger to be consummated. If it fell below that limit, Landmark would either have to pay Southwest shareholders a predetermined minimum price or cancel the merger.

Southwest's Mr. Sherman defended the decision not to include an exit price in the agreement.

"There doesn't need to be an exit price, since both shareholder groups need to approve the agreement," he said. "If Landmark stock is selling at a price the shareholders think is too low, then they will vote against the merger."

Mr. Sherman and Landmark's Mr.

➳ Landmark: Page 30

Republic Offers New Trust Service

Asset Management Program Aimed at Banks and Thrifts

By ANISE WALLACE

NEW YORK — Another financial institution is offering to help bank trust departments manage their client accounts.

Republic National Bank of New York announced Monday that it is offering its Asset Management Program, which uses mutual funds, to commercial banks and savings and loans.

Republic joins a group that includes Federated Investors, Dreyfus Corp., Fidelity Management, Frank Russell Investment Co., and Evaluation Associates of Westport, Conn. All of these organizations are marketing their in-

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Growth Rates of IRA Assets

	12/31/81 to 12/31/82	12/31/82 to 4/30/83	12/31/81 to 4/30/83
Mutual Funds	119.1%	49.0%	226.6%
Commercial Banks	132.0	48.6	244.7
Savings and Loan Associations	46.0	23.6	80.5
Life Insurance Companies	74.7	20.0	109.6
Mutual Savings Banks	36.8	20.9	65.4
Credit Unions	503.9	28.0	672.9

Source: Investment Co. Institute.

$69 Billion Invested in IRAs

Banks Lead in Assets, Mutual Funds in Growth

By ALICE ARVAN

NEW YORK — An estimated $69 billion was invested in individual retirement accounts as of April 30, 1983, according to a new study by the Investment Company Institute.

Banks and thrift institutions maintain a wide lead in the IRA market, the study found, but mutual fund retirement accounts are growing fastest. The breakdown as of the end of April was:

- Commercial banks — $20.164 billion.
- Thrifts — $19.3 billion.
- Mutual funds — $8.445 billion.
- Life insurance companies — $6.96 billion.
- Brokerage houses — $6.899 billion.
- Mutual savings banks — $5.632 billion.
- Credit unions — $1.6 billion.

The Institute, the trade group for the mutual fund industry, also estimated that 24.4 million retirement account accounts have been opened, by dividing the $69 billion total by the average account size of about $1,300.

A breakdown by sector results in an estimated 6.57 million accounts at commercial banks, 6.288 million at thrifts, 3.48 million at brokerage firms, 3.198 million at mutual funds, 2.387 million

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Pratt Defends Brokered Funds

By LISA J. Mc CUE

WASHINGTON — "The only problem with brokered funds is that the mechanism works very well," Richard T. Pratt, president of Merrill Lynch Mortgage Capital Inc., told a group of mutual fund executives Monday.

Mr. Pratt, immediate past chairman of the Federal Home Loan Bank Board, said that restricting money broker activities would only prevent the market from "working as well as it can."

He added that if such restrictions were enacted, depository institutions would find new ways to get similar deposits — such as direct marketing for out-of-state funds. Merrill Lynch is involved in brokering deposits.

Currently, federal financial regulators and the U.S. Congress are considering whether to restrict deposit brokerage activities. Lawmakers and regulators have expressed concern that some brokers may have taken advantage of the federal deposit insurance systems by placing funds with troubled institutions which often pay higher fees.

Mr. Pratt said: "It is not the fault of funds brokers or anyone else in the market system that the federal insurance corporations are misstructured.

"When you combine the misstructure of the federal insurance corporations — which gives individual institutions an unlimited ability to raise debt — with a very efficient mechanism for raising

➳ Merrill: Page 30

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Study Says Typical IRA Investor Is Older, Makes More Money

Continued from page 3

at insurance companies, 1.835 million at mutual savings banks, and 640,000 at credit unions.

Growth in IRAs during 1982 was "truly astounding" and continued during the first four months of this year at "an extraordinary pace," said the study, written by Ann S. Anderson, the trade group's director of statistical research.

If existing IRA owners each match their $1,300 average account balances with a similar $1,300 addition this tax year, total IRA assets would grow by $27 billion, the study said.

It found individual retirement accounts in institutions other than brokerage houses grew 33% in the first four months of 1983 to a hearty $62.101 billion, and total accounts grew 34% to 20.9 million.

Mutual funds were the fastest-growing retirement account sector during this four-month period, the study said. Their IRA assets rose 49% from $5.666 billion to $8.445 billion, and their share of the retirement account market increased from 12.2% to 13.6%. Only commercial banks came close to this rate of growth, with a 48.6% rise in assets between Jan. 1 and April 30. Most other sectors had smaller increases of 20% to 30% during this period.

During 1982, the mutual fund industry's IRA assets nearly doubled, from $2.586 billion to $5.666 billion, and the number of accounts grew almost fourfold, from 500,000 to 1.9 million.

"These growth rates were much greater than the rate of growth in the universe of retirement accounts held at all institutions," the study said. "Total IRA assets grew during 1982 by 79% to a total value of $46.6 billion and total accounts doubled."

As a result of this faster growth, the study said, mutual funds' share of retirement account assets rose during 1982 from 9.9% to 12.2%, and their share of accounts rose from 7.4% to 12.2%.

Typical Investor: Older, Richer

The trade group's study also drew a composite sketch of the typical retirement account investor, based on a survey last year of investors interested in mutual fund IRAs.

This IRA investor has a median household income of more than $40,000, much higher than the national average, and a median age of 50. More than 80% of the respondents have some college education.

The older a person gets, the more likely he or she is to invest in a retirement account, the study said. Only one-third of the respondents under age 30 had an IRA, while half of those between 30 and 50 did, and two-thirds of those 50 and over did.

The motives for opening a retirement account found in the study do not differ much from the findings of other studies. Desire to save on current taxes was the primary reason given by respondents, followed by the need to supplement retirement income.

The ICI survey also revealed that "those not likely to open an IRA either lacked the money to do so or were reluctant to tie it up in such a long-term investment," the study said.

Respondents who invested in IRAs through mutual funds tended to have more formal education and higher incomes than those who invested through other vehicles, the study said. Those who invested in mutual funds cited "performance and flexibility," while those who went to a depository institution cited the high promotional rates offered at the time, convenience, and safety.

The report also found substantial room for growth in IRA accounts. It estimated that 10 million households with incomes of more than $30,000 a year do not have IRA accounts. Fifty-six million with incomes below $30,000 also have not opened IRA accounts.

With the liberalization of the IRA law effective Jan. 1, 1982, the report said, "the number of Americans eligible to open an IRA rose from 50 million to over 100 million.

"Not only did the universe of potential customers double, but the newly eligible people are basically different from those who were previously eligible. The new group has significantly higher household incomes and somewhat more experience with investments in stocks, bonds, and money market instruments."

The data used by the trade group in estimating IRA assets and accounts came from the following sources: the Federal Reserve's monthly IRA-Keogh numbers for commercial banks, the Mutual Savings Bank Association, the Federal Home Loan Bank Board, the Life Insurance Association, the Credit Union National Association, the institute's own figures for mutual funds, and a sampling of brokerage houses willing to supply figures on their self-directed IRA accounts. The institute charted 900 mutual funds and roughly 14,500 commercial banks. ■

Assets in IRA Plans
(Dollars in Millions)

	End of 1981	June 1982	December 1982	April 1983
Commerical Banks	$ 5,849	$11,176	$13,572	$20,164
	22.5%	28.2%	28.9%	32.5%
Mutual Savings Banks	3,405	4,224	4,658	5,632
	13.1%	10.7%	10.0%	9.0%
Savings and Loan Associations	10,695	14,519	15,611	19,300
	41.0%	36.6%	33.5%	31.1%
Life Insurance Companies	3,320	4,611	5,800	6,960
	12.7%	11.6%	12.5%	11.2%
Credit Unions	207	845	1,250	1,600
	0.8%	2.1%	2.7%	2.6%
Mutual Funds	2,586	4,286	5,666	8,445
	9.9%	10.8%	12.2%	13.6%
Totals	$26,062	$39,661	$46,557	$62,101†
	100.0%	100.0%	100.0%	100.0%

†Excludes self-directed IRAs established at brokerage firms. Preliminary estimates on self-directed IRAs boost the totals for all IRAs as of April 1983 to $69 billion in assets and 24.4 million accounts.
Source: Investment Co. Institute.

Number of IRA Plans

	End of 1981	June 1982	December 1982	April 1983
Commerical Banks	1,576,125	3,725,333	4,501,493	6,570,218
	23.2%	28.0%	28.9%	31.4%
Mutual Savings Banks	917,640	1,401,000	1,518,000	1,835,125
	13.5%	10.6%	9.7%	8.8%
Savings & Loan Associations	2,881,973	4,839,667	5,177,778	6,288,693
	42.5%	36.4%	33.2%	30.1%
Life Insurance Companies	830,000	1,522,172	1,990,00	2,387,650
	12.2%	11.5%	12.8%	11.4%
Credit Unions	78,000	318,507	500,000	640,000
	1.2%	2.4%	3.2%	3.0%
Mutual Funds	499,578	1,481,535	1,894,779	3,198,695
	7.4%	11.1%	12.2%	15.3%
Totals	6,783,316	13,288,214	15,582,050	20,920,381†
	100.0%	100.0%	100.0%	100.0%

†Excludes self-directed IRAs established at brokerage firms. Preliminary estimates on self-directed IRAs boost the totals for all IRAs as of April 1983 to $69 billion in assets and 24.4 million accounts.
Source: Investment Co. Institute.

Balcor Subsidiary Offers Fund for Tax-Exempt Investors

By LAURA L. MULCAHY

NEW YORK — Balcor/American Express Inc., a major real estate syndication company, Monday announced a new fund to attract tax-exempt or tax-deferred as well as taxpaying investors.

This is the first public limited partnership in real estate to allow taxpaying investors to receive tax advantages while also providing cash flow for tax-exempt investors with no need for such benefits, Balcor said.

The fund, Balcor Equity Pension Investors-I, was designed as a way for tax-exempt investors to participate in real estate investments, which are a good buy today, said David J. Cariseo, Balcor's director of marketing.

The new fund is also unusual because half of its investments will be in unleveraged equity and half in first mortgages with equity participations, so that the fund is both an owner and a lender.

It is this structure that Balcor hopes will attract the individual investor. Until now, Balcor funds' portfolios have been composed primarily of mortgages instead of property purchased with borrowed money.

The Balcor fund's portfolio will include multifamily housing, shopping centers, office buildings, and special-purpose properties. In the future, the portfolio could include warehouses, light industrial buildings, and some mobile-home communities, said Gregory S. Junkin, Balcor senior executive vice president.

However, it would be unlikely to induce an individual to invest in a limited partnership that did not own property, Mr. Cariseo said, because there would be no tax advantage.

Balcor is one of the six largest real estate syndicators in the country and has a $2.5 billion portfolio.

Most public limited partnerships in real estate involve owners buying real estate properties with sizable mortgages. Investors who participate in funds that are highly leveraged with big borrowings like this receive a tax benefit through interest deductions and depreciation.

Pension funds and other tax-exempt investors, however, have a built-in tax advantage and do not need this benefit. As a result, these investors usually buy property with cash.

The new Balcor partnership could be the largest ever, according to the company. BEPI's offering, approved by the Securities and Exchange Commission, is registered for $250 million and includes an option under which Balcor can sell up to $100 million in additional interests. The largest such offering prior to this was for $250 million and came from Merrill Lynch Hubbard Inc. earlier this year.

On Monday, after its first week, investors had bought $10 million worth of participations in BEPI-I. Just 2% of the initial investors were in the taxable group, and 98% were tax-exempt, Mr. Cariseo said.

He added that the structure of the new fund is "very complicated" and difficult for customers to grasp. However, Balcor expects participations by taxable investors to increase dramatically as the concept becomes more widely understood.

"We are hopeful that the offering will be sold out by yearend," Mr. Cariseo said. Another Balcor fund, Balcor Pension Investors-IV sold participations in a $215 million partnership in seven weeks earlier this year.

The BEPI-I is structured so that the tax-exempt investor receives a cash flow one-third greater than that of the taxpaying investor in return for giving up tax benefits, Mr. Cariseo said. For example, if a taxpaying investor earned a 6% return, a tax-exempt investor would earn 8%.

On the tax-exempt side, the fund is designed to attract individual and institutional investors such as individual retirement account and Keogh account

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